



New Rules for Federal Tax Return Preparers

Prepare Now for 2011 Changes

Improve Tax Administration and Your Business

After an extensive review that included significant public input, the Internal Revenue Service announced in January 2010 a fundamental change in how the agency will regulate the tax return preparation industry. Under this change, the IRS will implement new regulations and procedures that will better serve taxpayers, tax administration and the tax professional industry.

The new requirements take effect on January 1, 2011, and include: mandatory preparer tax identification numbers (PTINs), continuing education, competency testing, ethical standards and electronic filing. So, don't delay! Get details on the first steps to building your business here – or at www.IRS.gov/taxpros.

For purposes of PTIN registration, a tax return preparer is an individual who, for compensation, prepares all or substantially all of a federal tax return or claim for refund.

THREE STEPS TO BECOMING A REGISTERED TAX RETURN PREPARER

Step One: Sign Up Electronically	Step Two: Competency Exam	Step Three: Continuing Education
<ul style="list-style-type: none"> Beginning mid-September 2010, federal tax return preparers may begin signing up for a PTIN. All tax return preparers, including those tax return preparers who are attorneys, certified public accountants, and enrolled agents, must have PTINs if they prepare tax returns after December 31, 2010. Access to an online sign-up system will be available through www.IRS.gov/taxpros. An annual fee of \$64.25 will be required. Everyone must pay the fee and sign up for a PTIN using the new process, including those preparers who already have PTINs. Tax return preparers who already have PTINs will be assigned the same PTIN under the new system. 	<ul style="list-style-type: none"> Beginning in mid-2011, tax return preparers must pass a competency test to officially become a registered tax return preparer. Tax return preparers who have PTINs before testing becomes available will have until Dec. 31, 2013, to pass the competency test. After testing becomes available, new tax return preparers will be required to pass the competency test before they can obtain a PTIN. Attorneys, certified public accountants, and enrolled agents will be exempt from the competency test requirement. Enrolled actuaries and enrolled retirement plan agents will be exempt from the competency test requirement if they only prepare returns within the limited practice areas of these groups. More guidance on testing will be available in spring 2011, including the amount of the testing fee. 	<ul style="list-style-type: none"> A new continuing education requirement of 15 hours per year will also be implemented in the future. The beginning date has not been determined. Courses will need to include 3 hours of federal tax law updates, 2 hours of ethics, and 10 hours of other federal tax law. This will not apply to attorneys, certified public accountants, enrolled agents, enrolled actuaries, or enrolled retirement plan agents due to their existing education requirements. Continuing education credit opportunities will be available from a variety of approved sources. More guidance will be available through www.IRS.gov/taxpros.

ALSO IMPORTANT

New e-file Mandate

Beginning January 1, 2011, many tax return preparers will be required to file tax returns electronically. This requirement will be phased in as follows:

- Tax preparers who prepare **100 or more** individual or trust returns **in 2011** will be required to e-file.
- Tax preparers who prepare **11 or more** individual or trust returns **in 2012** will be required to e-file.

If you are currently not an Authorized IRS e-file Provider, visit www.irs.gov, keyword e-file provider, for more information on how to apply.

Ethics Standards Expanded

Also beginning January 1, 2011, all tax return preparers must comply with the standards of conduct set by Treasury Department Circular 230.

Attorneys, certified public accountants, and enrolled agents will continue to be authorized to prepare tax returns and to represent taxpayers before the IRS. Registered tax return preparers will be authorized to prepare tax returns, but their authority to represent taxpayers will be limited to examinations involving tax returns they have prepared.

NOTE: As part of the new PTIN requirements, the IRS will verify if tax return preparers are compliant with their personal and business tax obligations. The IRS encourages all tax return preparers to resolve any outstanding issues prior to registering for a PTIN under the new requirements.

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Internal Revenue Service